

January 13, 2000

VIA Messenger

Hon. William C. Apgar
Assistant Secretary for Housing –
Federal Housing Commissioner
U. S. Department of Housing and Urban Development
Washington, DC 20410-8000

Dear Assistant Secretary Apgar:

I have reviewed your December 21, 1999 letters to senior executives at Fannie Mae and Freddie Mac wherein you request detailed responses to HUD's request for information concerning these GSEs' aggressive expansion into a number of new mortgage programs without HUD's approval as required by applicable law and regulations.

I commend you and the agency for taking this initial action to comply with HUD's statutory duty to review and then approve or disapprove such new business programs of Fannie Mae and Freddie Mac.

More importantly, I want to note that a formal request for a parallel comprehensive inquiry and review of Fannie Mae's and Freddie Mac's unauthorized expansion into two other new program areas----subprime and home equity lending----has been made to HUD Secretary Cuomo. This request for HUD action was contained in a letter dated December 15, 1999, from NHEMA and three other leading mortgage lender organizations (Consumer Bankers Association; Consumer Mortgage Coalition; and The Financial Services Roundtable). A copy of that letter is attached for your ease of reference.

On behalf of the National Home Equity Mortgage Association (NHEMA), I am reiterating our request to Secretary Cuomo and asking that HUD immediately initiate similar detailed inquiries and formal reviews of these GSEs' new programs involving subprime and home equity mortgages. NHEMA and other leading mortgage lender groups believe that Fannie and Freddie have expanded into subprime and home equity lending without the statutorily required agency approval. Moreover, we believe that Congress never intended Fannie and Freddie to engage in subprime and home equity mortgage programs, and that there are sound public policy reasons why these GSEs should be prevented from doing so. NHEMA's GSE Policy Statement, a copy of which is attached, further explains our association's concerns.

In closing, I again commend HUD for the actions you have initiated in your December 21st letter, and I ask that HUD promptly begin a similar detailed review of Fannie Mae's and Freddie Mac's unauthorized expansion into new subprime and home equity mortgage programs.

If you or your staff have questions regarding NHEMA's concerns and this request for HUD to formally review these GSEs' subprime and home equity programs, please contact me at (202) 347-1210, or Wright Andrews at Butera & Andrews, NHEMA's Washington Counsel, at (202) 347-6875.

I look forward to your response.

Sincerely,

Jeffrey Zeltzer, Executive Director
National Home Equity Mortgage Association